

STATE OF CALIFORNIA

KATHLEEN CONNELL,  
CONTROLLER OF CALIFORNIA

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OFFICE OF STATE CONTROLLER  
PERSONNEL/PAYROLL SERVICES DIVISION  
300-Capitol Mall  
P.O. Box 942850  
Sacramento, CA 94250-5878

Date: May 11, 2000

PAYROLL LETTER # 00-006

To: All Agencies/Campuses in the Uniform State Payroll System

From: Ralph Zentner, Chief  
Personnel/Payroll Operations Bureau

Re: FRINGE BENEFIT /EMPLOYEE BUSINESS EXPENSE REPORTING

This Payroll Letter provides status updates regarding various fringe benefits/employee business expenses (FB/EBE) and informational reminders.

#### Payroll Input Process (PIP)

Payroll Letter 99-026 announced PIP expansion and instructed agencies/campuses to report affected FB/EBEs via this medium versus Form 676P. Year to date totals reflect that agencies reported an additional \$60,000 via PIP and campuses reported \$0. During this same period (January- April 2000), agencies reported \$1,000,000 and campuses reported \$100,000 via Forms 676P versus PIP. If your agency/campus has yet to convert, please use the instructions outlined in Payroll Letter 99-026 to effectuate this change.

#### Bargaining Unit Contracts

Recent contract negotiations have affected the taxability of various FB/EBEs. This office is working with both the Department of Personnel Administration and the Chancellor's Office to clarify affected FB/EBE program components and update the Payroll Procedures Manual (PPM) accordingly. We continue to receive numerous phone calls regarding the reporting of awards, bonuses and incentives that are not assigned a specific alpha code. Given the large number of these benefits, we no longer assign codes on a one to one basis by benefit.

Agencies/campuses should use:

- II --Award/Bonuses/Incentives-Miscellaneous Incentive Program (cash equivalent) for taxable value based benefits and;
- IM-- Award/Bonuses/Incentives-Miscellaneous Incentive Program for taxable payments (via PIP),

whenever the employee receives awards, bonuses or incentives wherein a unique alpha code is not assigned in the PPM. For example, the Civil Service Bargaining Unit 17 contract provides for a Registered Nurse Scholarship Award which, as provided represents a taxable, reportable benefit. This benefit is not assigned an unique alpha code. Rather, the benefit must be reported using alpha code IM--Awards/Bonuses/ Incentives-Miscellaneous Incentive Program.

Please carefully review contract provisions that affect your employees including awards/bonuses/incentives, electronic devices, transportation subsidies and allowance based benefits (uniforms, clothing, meals, etc.). Many benefits were affected during the most recent contract negotiations and they now may require tax reporting and withholding. Please also review new PPM revisions as these revisions will continue to clarify affected programs.

#### Compliance Projects

Payroll Letters announcing the 2000 Civil Service and California State University FB/EBE Compliance Projects will issue shortly. As with prior year projects, agencies and campuses will review reporting practices and certify that these practices comply with Federal and State law. Agencies and campuses are urged to review PPM Section I 120-175 to ensure that all taxable and reportable benefits are processed timely and accurately.

#### Contacts

General FB/EBE Information

Tax Support Section (916) 322-8105  
or CALNET 492-8105

PIP Reporting-Civil Service

Telephone Liaison Unit (916) 323-3081  
CALNET 473-3081

PIP Reporting-CSU

Contact your CSU Audit Representative.

RZ:TSS/DB